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Promoting Quality Affordable Housing and Community  
Development Throughout San Diego County

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Tom Scott, Secretary  
Executive Director

January 5, 2006

Robert E. Feldman  
Executive Secretary  
Attention: Comments, RIN 3064-AC97  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington DC 20429

To Whom it May Concern:

The San Diego Housing Federation appreciates this opportunity to inform the federal banking agencies about our comments on the proposed Question and Answers document. The San Diego Housing Federation is a coalition of affordable housing developers, cities, banks, and other organizations and individuals working to build more homes affordable to low income families in San Diego County. We also participate on the annual performance review committee of the San Diego City/County Reinvestment Task Force which has San Diego specific CRA agreements with the major financial institutions serving the City of San Diego and the County of San Diego. Consequently, we are intimately familiar with the positive impacts of the CRA on San Diego.

We appreciate that the proposed questions emphasize the importance of low-cost banking services for low- and moderate-income consumers. Low-cost checking accounts, accessible bank branches and remittances provide critical alternatives to payday loans, check cashers, wire transfers and other high cost fringe products. Low cost banking services and products provide low-income consumers with opportunities to become part of the financial mainstream and to accumulate assets. CRA points should be awarded to banks for providing low cost banking services and products. CRA examinations should penalize banks for offering abusive products such as bounce protection. Furthermore, banks should also be penalized for financing check cashers, payday lenders, and investing in mortgage-backed securities that may contain higher priced mortgage or home loans with deceptive terms. Predatory loans and fringe financial services are expensive and strip wealth from vulnerable consumers.

We request that the regulators clarify for mid-size banks with assets between \$250 million to \$1 billion the CRA exam criterion that assesses their distribution of branches and other facilities throughout their assessment area. Mid-size banks should be required to have an equal percentage of branches in low- and moderate-income communities as to the percentage of low- and moderate- income census tracts in that particular assessment area. Without branches in their communities, low- and moderate-income consumers are more to susceptible high cost lending through brokers and have no other choice but to rely on a fringe financial system.

We oppose the proposed question and answer that provides CRA points for financing middle- and upper-income housing developments in distressed rural middle-income census tracts. Elsewhere in the existing Question and Answer document and in your proposed questions, the agencies provide credit for mixed-income housing developments. Mixed-income housing can benefit low- and moderate- income households, but CRA points should only be awarded if a majority of the units in such a development are designated for low- and moderate-income families. It is vital that you eliminate the possibilities of banks receiving CRA points for financing middle- and upper-income housing.

We applaud your proposed question and answer that reiterates that mid-size banks must offer community development loans, investments and services. Mid-size banks cannot ignore one or more of these activities. We also recognize that qualitative factors on CRA exams can be important, but we ask that you add a provision to your proposed questions stating that qualitative factors will not be employed by examiners to excuse low levels of community development lending, investments or services.

We request that you add a Question and Answer indicating that a bank will automatically undergo a fair lending exam to test for compliance with federal anti-predatory and anti-discrimination law when the bank or one of its affiliates makes a high concentration of sub-prime loans to minorities, the elderly, women, low-income borrowers or to communities recovering from natural disasters and experiencing shortages of credit.

You have clarified how banks will receive favorable consideration in their Community Reinvestment Act (CRA) exams for financing community development activities in geographical areas impacted by natural disasters. While we are pleased that the federal agencies direct banks to focus on low- and moderate-income families in areas impacted by disasters, we are opposed to the diversion of bank financing to middle- and upper-income housing.

We are pleased that the agencies are proposing that banks will receive points on their CRA exams for financing community development in geographical areas impacted by disasters for up to one year after the expiration of official federal or state designation of disaster status. We also applaud the agencies for providing more credit to community development activities that are most responsive to the needs of low- and moderate-income individuals that have been impacted by the natural disaster. Your proposal to

provide CRA points for investments that benefit families displaced by disasters promises to be very beneficial to areas receiving a large influx of families resettling in the wake of Hurricane Katrina and future natural calamities.

The most effective way to expand access to credit and to needed financial services and products for underserved borrowers is implementing rigorous and comprehensive CRA exams. Your responsiveness to our comments on the proposed Question and Answers, will ensure that banks will continue to lend, invest and provide financial services for low- and moderate- income families and communities.

Thank you for consideration of our comments.

Sincerely,

A handwritten signature in black ink that reads "Tom Scott". The signature is written in a cursive, slightly slanted style.

Tom Scott  
Executive Director

Cc: California Reinvestment Coalition